

# Uruguay

## Economic Summary



Uruguay is a market-oriented economy in which the State still plays a certain role. The economy performed well during most of the nineties, but in 1999-2002 underwent its steepest banking and financial crisis in recent history, mostly caused by external factors. As a result, per capita GDP plummeted from \$6,300 in 1998 to about \$3,700 in 2002. The economy recovered slightly in 2003 and boomed in 2004, with a 12% growth rate.

The left-of-center Frente Amplio, which took office in March 2005, continued implementing an orthodox macroeconomic policy, and promptly signed agreements with the IMF, the World Bank and the IDB. Six percent growth in 2005 drove per capita GDP close to its pre-crisis levels. Growth of 4% is expected for 2006.

Uruguay has largely diversified its trade in recent years and reduced its longstanding dependency on Argentina and Brazil. It is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil and Paraguay. The MERCOSUR Secretariat is located in Montevideo.

Imports from the United States plunged during the crisis but, following the economic upturn, resumed a sound pace of growth of 16% per year. Nevertheless, U.S. market share of total imports steadily declined from 12% in 1998 to 7% in 2005. The U.S. mostly sells high-tech and capital goods. Since 2005, the U.S. is Uruguay's largest single market, as exports boomed with increased meat sales.

While the crisis impacted on poverty levels and caused substantial migration, social indicators remain outstanding by Latin American standards. The U.N. Economic Commission for Latin America and the Caribbean ranks Uruguay as the only Latin American country with a "low" degree of inequality.

The investment climate is generally positive. Investments are allowed without prior authorization, foreign and national investors are treated alike, and there is fully free remittance of capital and profits. About ninety American firms operate in Uruguay and, according to the U.S. Dept. of Commerce, the stock of U.S. direct investment amounts to \$656 million. In 2006, Parliament ratified a Bilateral Investment Treaty with the U.S.

### GENERAL INDICATORS

<b>Area:</b>	68,036 sq. miles	About the same as Oklahoma
<b>Population:</b>	3.2 million people	
<b>Annual Population Growth Rate:</b>	0.3%	
<b>Montevideo (Capital):</b>	43% of total population	
<b>Type of Government:</b>	Representative Democracy	
<b>Life Expectancy at Birth:</b>	75 years	
<b>Home owners:</b>	66%	
<b>Literacy Rate:</b>	98%	
<b>Households with access to safe water:</b>	98%	
<b>Poverty level (% of households):</b>	22% (2004)	
<b>Absence of ethnic problems</b>		

### REAL SECTOR

**Gross Domestic Product (GDP):** \$17.3 billion (2005, est.), \$13.2 billion (2004), \$11.2 billion (2003)

**GDP Real Growth Rate:** 6.0% (2005, est.), 12.3% (2004), 2.5% (2003)

**GDP Per Capita:** \$5,300 (2005, est.), \$3,900 (2004), \$3,307 (2003)

**Industrial Production:** 18% of GDP. Grew by 22% in 2004.

Principal sectors: food, beverages & tobacco, chemicals, textiles.

**Agriculture & Livestock:** 12% of GDP. Grew by 13% in 2004

Large areas devoted to livestock grazing, forestry, sunflower and rice.

**Commerce, Restaurants & Hotels:** 11% of GDP. Grew by 21% in 2004.

**Other Services:** Approximately 50% of GDP.

**Budget Deficit (% GDP):** -0.9% ('05, est.), -2.2% (2004), -3.2% (2003)

**GOU plans on implementing Personal Income Tax; 23% VAT; 30% Corporate Tax.**

### LABOR

**Labor Force:** 1.1 million

**Unemployment Rate:** 13.3% (Avg. 2004), 17.1% (Avg. 2003)

**Official Minimum Wage Rate:** \$82 per month (February 2005)

**Average Monthly Household Income:** \$530 (December. 2004)

**Unionization:** Estimated at about 15.0% of the workforce (as 2004), but expected to grow significantly due to major changes in labor regulations

### EXTERNAL ACCOUNTS

**EXPORTS (Goods, FOB):** \$3.4 billion (2005; rose 16% over 2004)

**Partners:** U.S., E.U., Brazil, Argentina

**Commodities:** Meat, Rice, Leather, Wool, Fish, Dairy Products

**Exports to U.S.:** \$761 million (22% of 2005 total; grew 32% over 2004)

**Commodities to U.S.:** Meat, Gasoline, Leather, Cheese, Wood, Fish

**IMPORTS (CIF):** \$3.9 billion (2005; grew 24% over 2004)

**Partners:** Brazil, Argentina, E.U.

**Commodities:** Oil & Fuels, Machinery & Equipment, Fertilizers, Wheat

**Imports from U.S.:** \$259 mill. (7% of 2005 total; 18% growth over 2004)

**Commodities from the U.S.:** Computers & Parts, Fertilizers, Radio,

TV & Telephony Equipment, Medical Equipment, Medicines.

**Import Tariffs** vary between 0 and 35%. Mean tariff is 13%.

**No import quotas apply.**

**Gross Public External Debt:** \$13.3 billion (Dec. 2005), 101% of GDP

**Current Account Balance (% of GDP):** -2.8% ('05, est.), -0.8% (2004)

### MONEY & PRICES

**Inflation Rate (CPI):** 4.9% (2005), 7.6% (2004), 10.2% (2003)

**Exchange Rate:** Uruguayan pesos per U.S. dollar = 24.2 (March 2006)

**M1:** \$1.3 billion (Dec. 2005)

Annual interest rates charged on loans:	In UY pesos	In US\$
Preferential	11-18	7-8
Intermediate	14-23	9-11
Personal	29-35	11-12